



Contextualizing reform in public hospital systems: The case of Estonia

Sorin Dan, Christopher Pollitt, Trui Steen
Public Governance Institute, KU Leuven

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I. Structure

- Introduction
- Sources of data
- Healthcare system macro context
- Hospital reform trends
- Self-governed hospitals in Estonia
- Central coordination of self-governed hospitals
- Concluding observations

I. Introduction

- Goal is to contextualize reform in the publicly-owned hospital system in Estonia
- Publicly-owned: hospitals can be owned by one or more public institutions, but follow private law and have autonomous governing and management boards
- Focus on the relationship between the creation of self-governed hospitals and central (or national) coordination of the system of publicly-owned hospitals as a whole

II. Sources of data

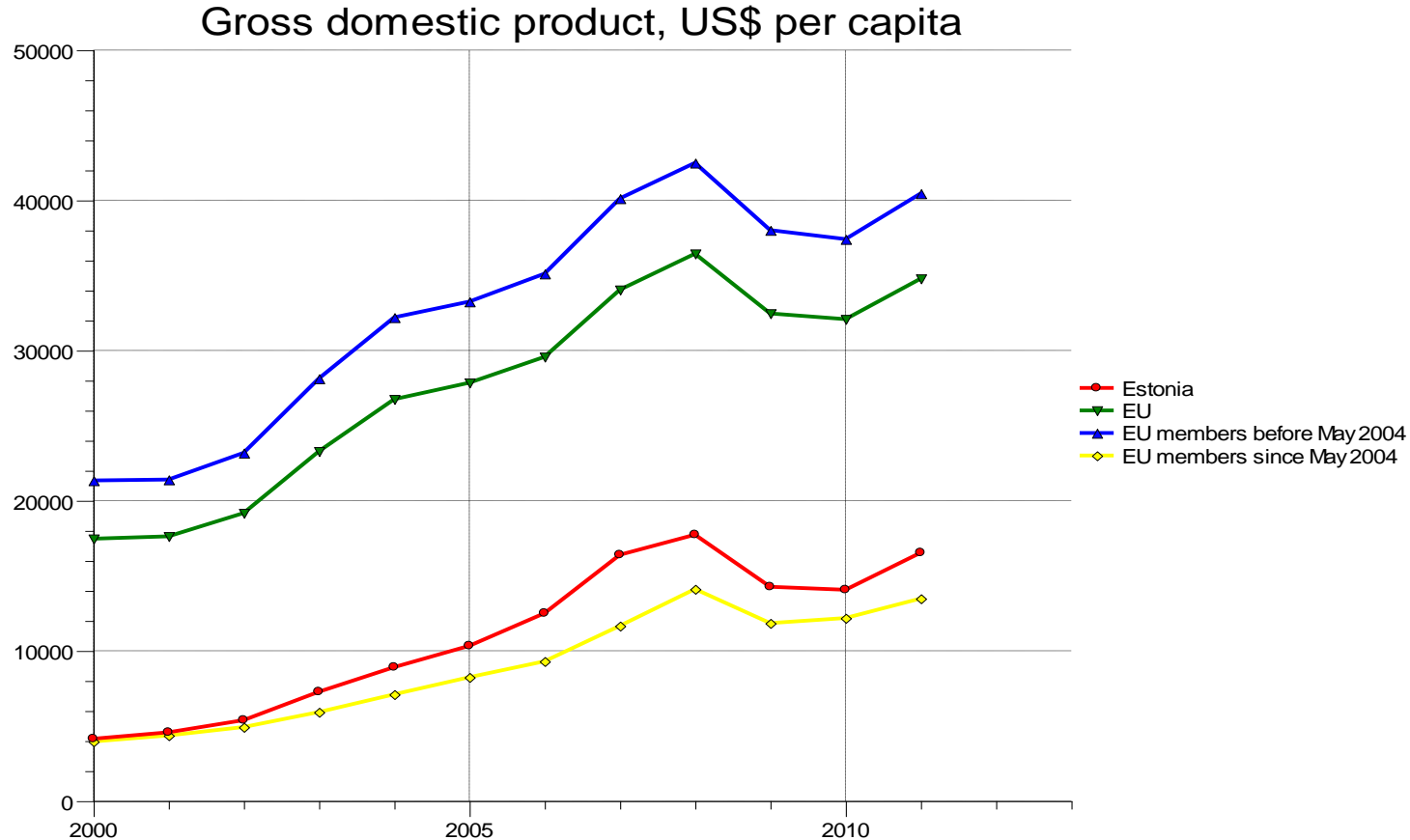
- Statistical data: WHO European Health for All Database (available online)
- Official policy documents and relevant legislation
- Academic and practitioner-like research
- Studies by international organizations
- Full list available in the paper

III. Healthcare system macro context (1)

- *Type of healthcare system: social insurance system*
- Social health insurance system with purchaser-provider split (Estonian Health Insurance Fund plays a key role)
- Earmarked social tax based on employment status, collection is sensitive to the state of the economy

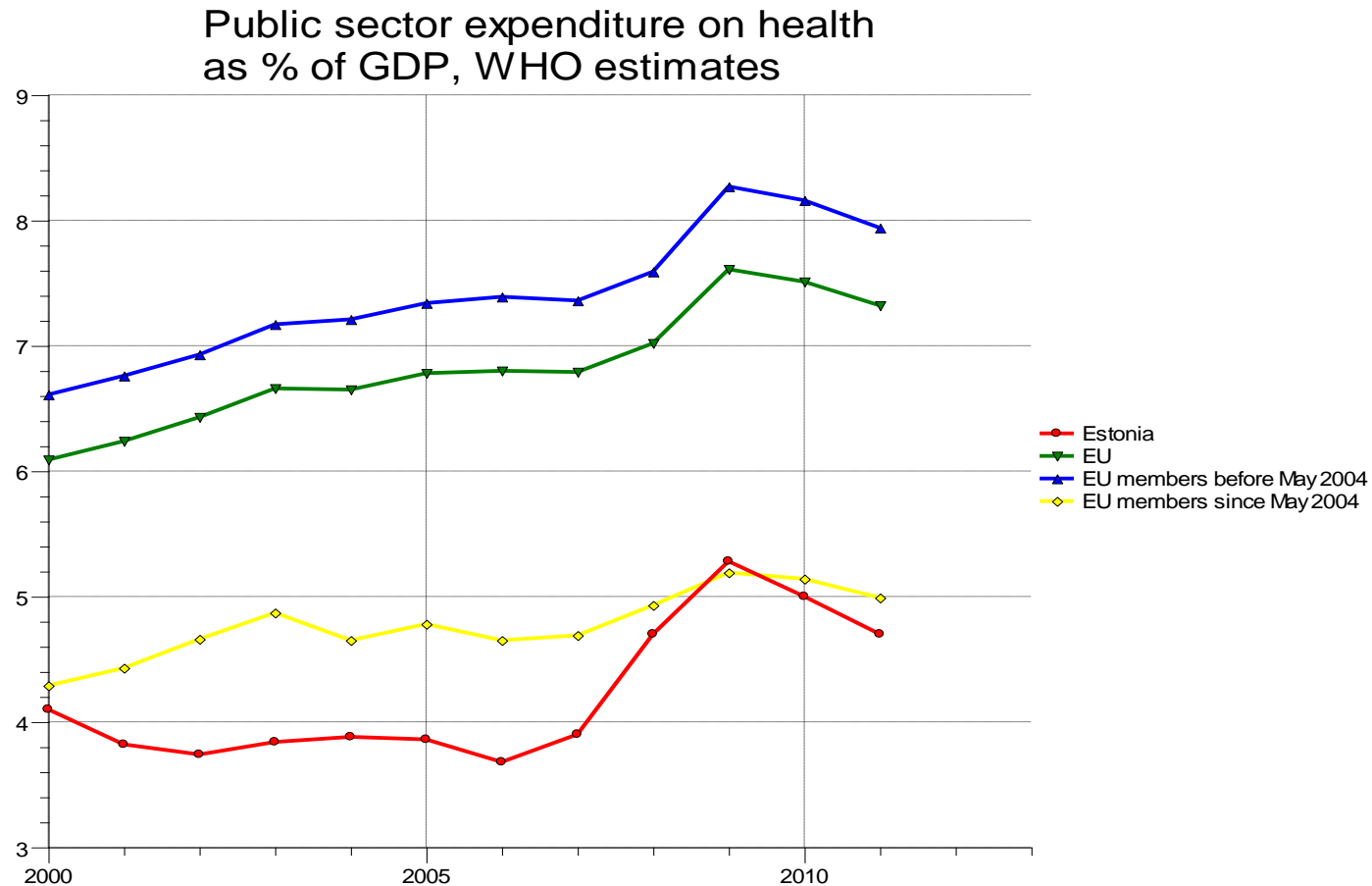
III. Healthcare system macro context (2)

○ *Economic context: Estonia compared to EU averages*



III. Healthcare system macro context (3)

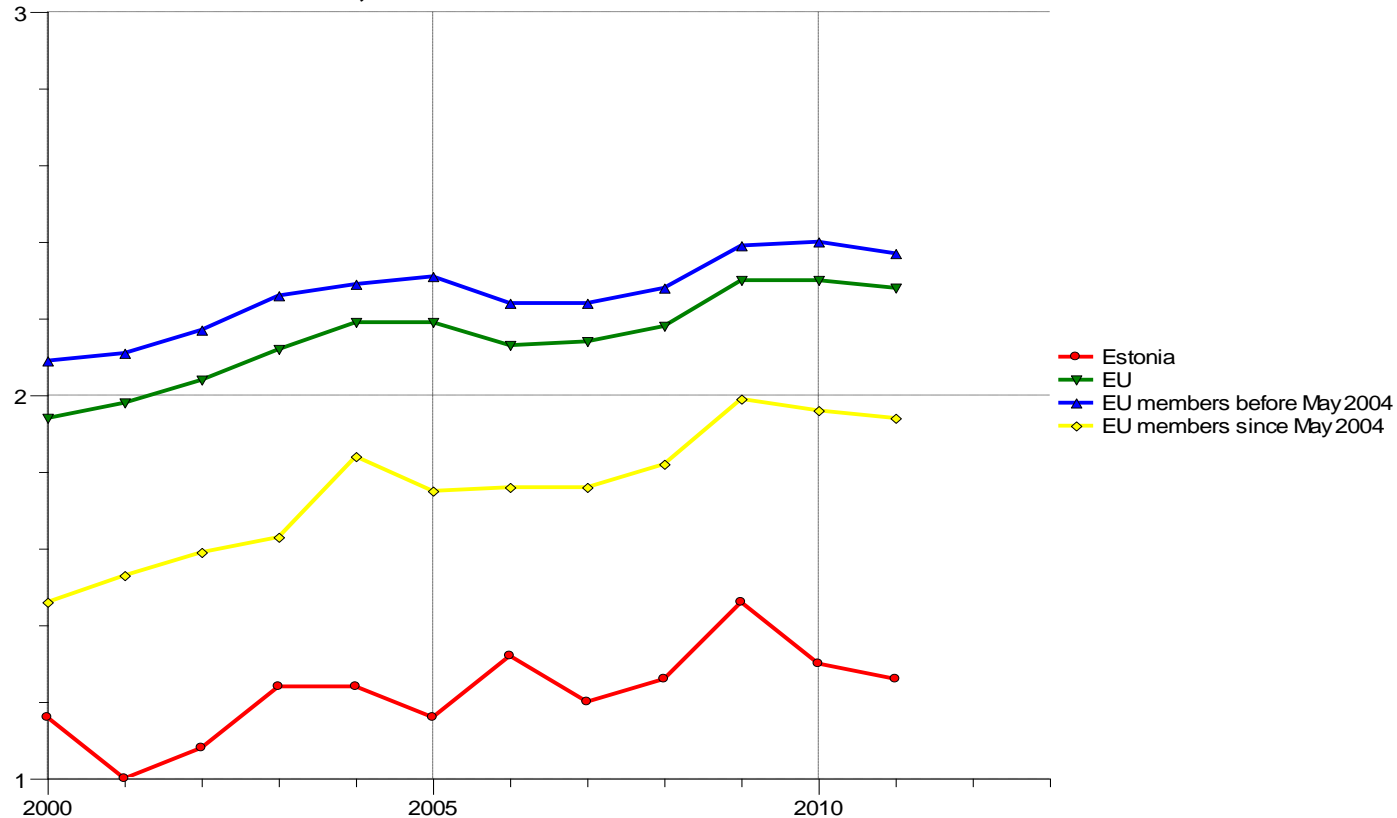
○ *Public sector expenditure on health*



III. Healthcare system macro context (4)

○ *Private sector expenditure on health*

Private sector expenditure on health as % of GDP, WHO estimates



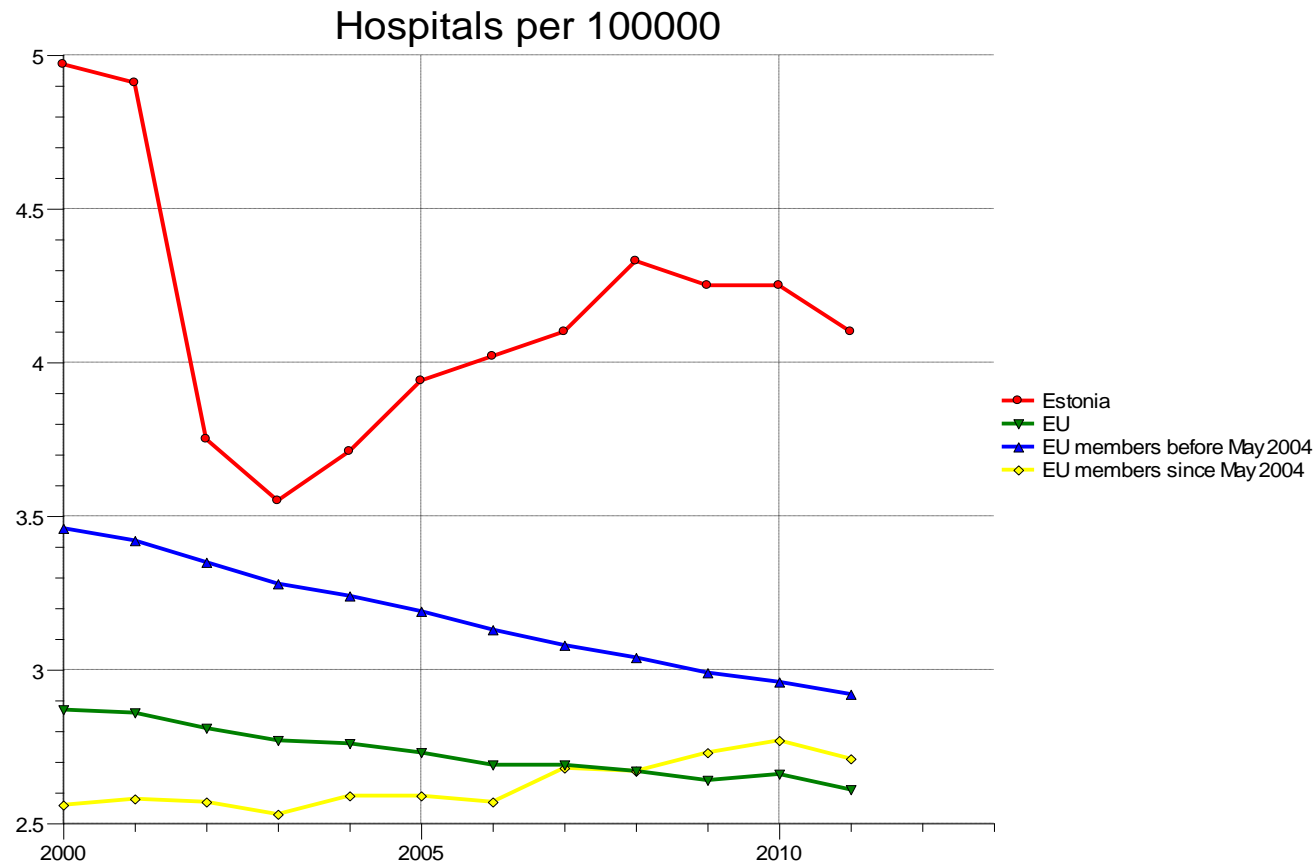
IV. Hospital reform trends (1)

- *Changes in the number of hospitals (in absolute terms)*



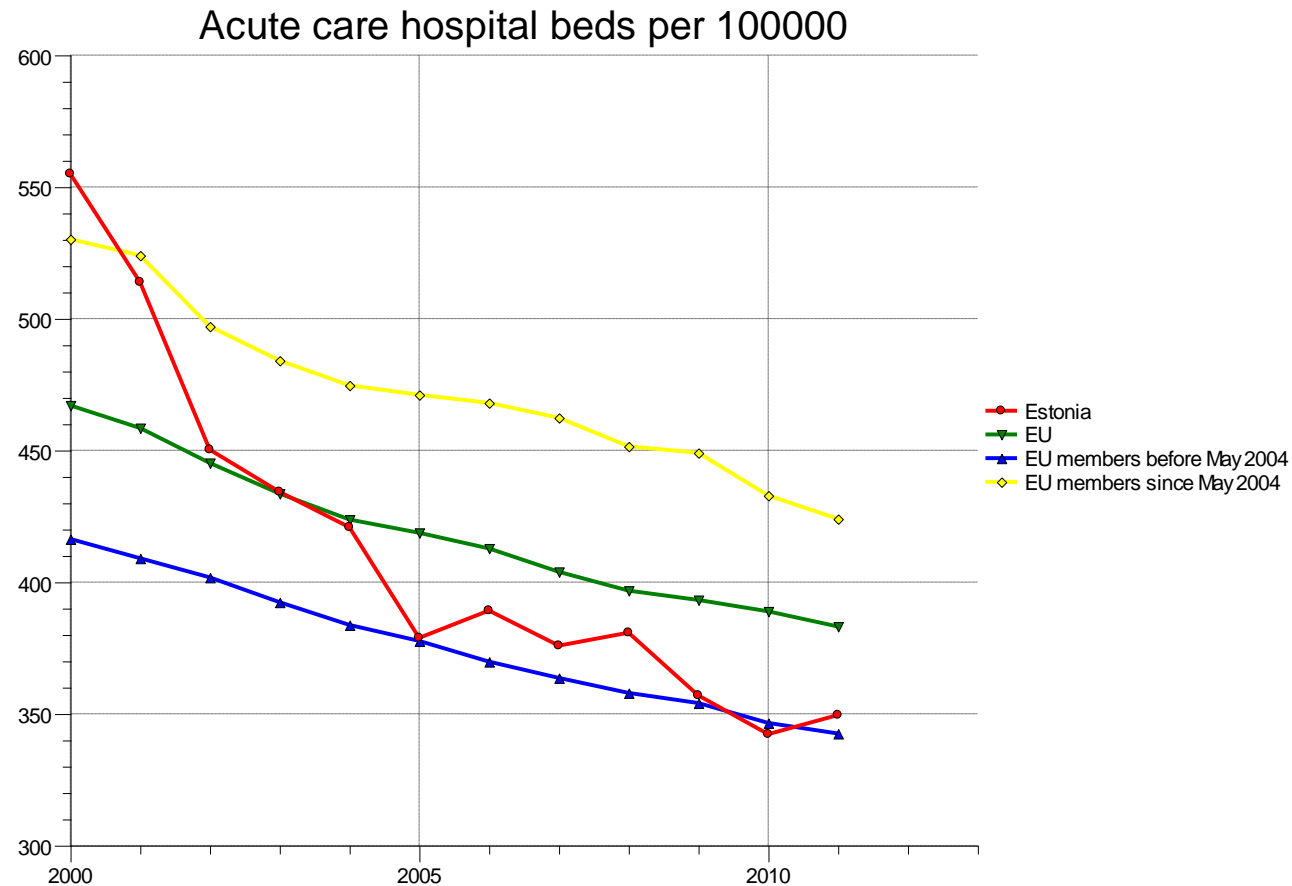
IV. Hospital reform trends (2)

- *Hospitals per 100,000 inhabitants (acute and long-term)*



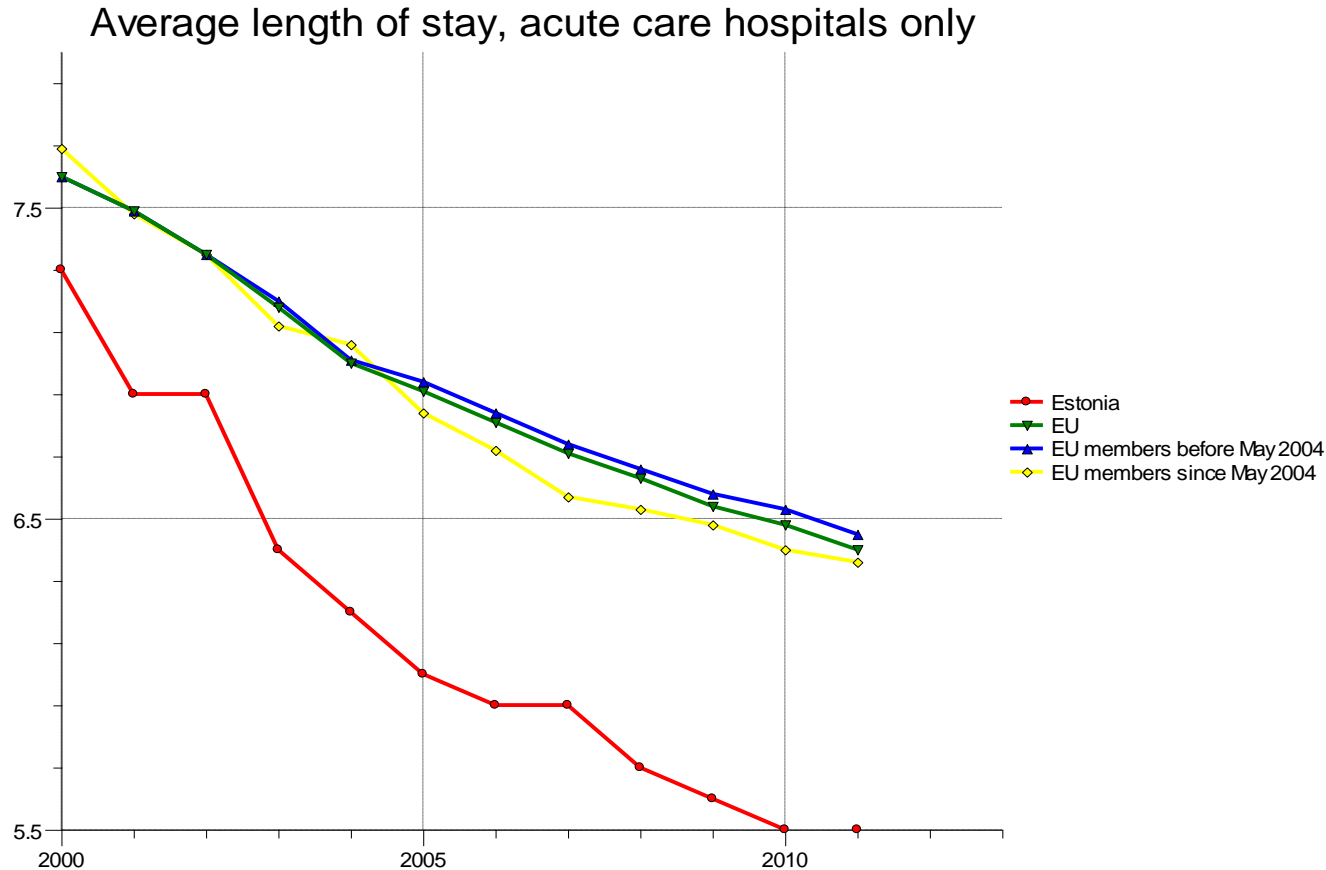
IV. Hospital reform trends (3)

- *Acute care hospitals beds per 100,000 inhabitants*



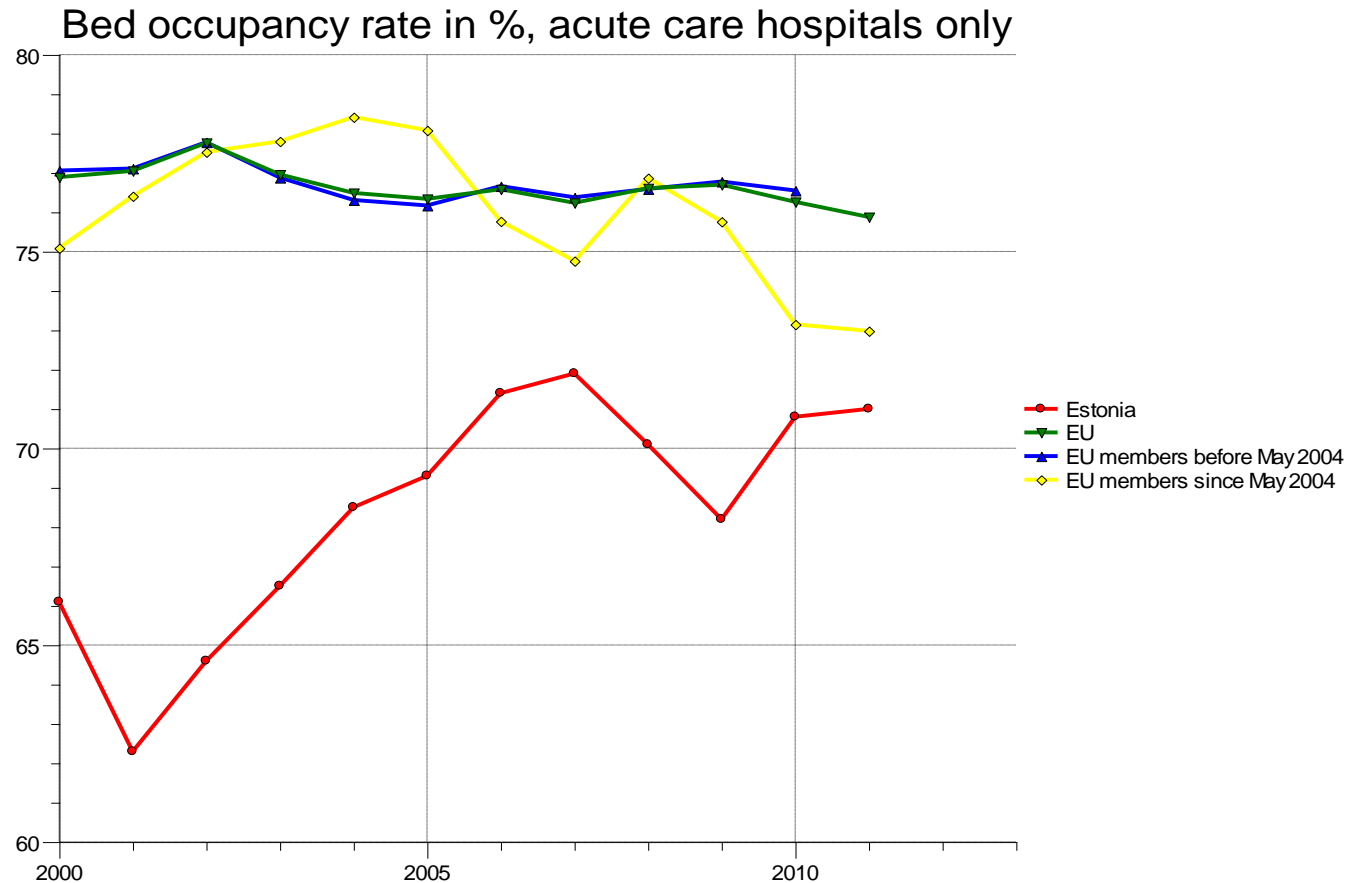
IV. Hospital reform trends (4)

- *Average length of stay in acute-care hospitals*



IV. Hospital reform trends (5)

○ *Bed occupancy rate in acute-care hospitals (%)*



V. Self-governed hospitals in Estonia (1)

- Hospitals organized as foundations or joint-stock (limited liability) companies since the Health Services Organization Act of 2001
- Private law entities following the Foundations Act or the Commercial Code
- Corporatization reform: self-managing and self-governing hospitals, though operating in a regulatory framework (Preker and Harding, 2003)
- Supervisory board: representatives of central government, local governments, or other public institutions (=> publicly-owned hospitals)
- Management board with a high degree of autonomy



V. Self-governed hospitals in Estonia (2)

- *Autonomy to make decisions on:*
 - Staff management, pay, equipment, infrastructure and financial matters
 - Internal hospital structures (e.g. decentralized vs. integrated)
 - Clinical specialties: *regulated by the HSOA based on hospital type*
 - Full residual claimant status (can keep profit but need to pay any debt incurred)
 - Joint-stock companies can distribute profit to owners, but in reality this does not happen, profit is invested in the hospital

VI. Central coordination of hospitals (1)

- Inherent tension in a corporatized hospital arrangement
- Organizational interests may prevail over systemic interests
- Competition between some hospitals for funds, services, and healthcare personnel
- Representatives of the state in the supervisory board of major hospitals (though not in all hospitals)
- Local or regional coordination and accountability through representatives of local governments in hospital supervisory boards

VI. Central coordination of hospitals (2)

- Founders and owners may not share the interests of the state affecting central coordination (goal conflict)
- Broad regulatory framework leaves ample room for hospital management decision making (principal-agent dilemma due to imperfect information)
- Reporting requirements exist => transparency, though the mechanisms of central coordination may be missing (broad regulatory framework)

VII. Concluding observations

- Reform to create self-governed hospitals is not new and experience has accumulated (more than a decade)
- The system has not suffered major change since the early 2000s when the system was configured and reform implemented => prima facie evidence of sustainability and overall success
- There is tension between hospital interests and systemic goals, but these have not “shaken up” the system
- Estonia performs well given the level of inputs
- Efforts to improve central coordination while maintaining the self-governing hospital arrangement.